

AMENDED IN SENATE JUNE 12, 2014

AMENDED IN ASSEMBLY APRIL 21, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 2064

Introduced by Assembly Member Cooley

February 20, 2014

An act to *amend Sections 10089.6 and 10089.26 of, to amend, add, and repeal Sections 10083 and 10086 of, to amend, repeal, and add Sections 10083, 10086, 10089.6, 10089.26, and Section 10089.28 of, and to add Section 10089.42 to, the Insurance Code, relating to earthquake insurance.*

LEGISLATIVE COUNSEL'S DIGEST

AB 2064, as amended, Cooley. Earthquake insurance: mandatory offer.

Existing law prohibits a policy of residential property insurance from being issued or delivered or initially renewed in this state unless the named insured is offered coverage for loss or damage caused by an earthquake, as provided, and, if the offer of earthquake coverage is accepted, requires the insurer to provide certain disclosures based on whether the policy was issued by the California Earthquake Authority (CEA).

Existing law created the CEA, to be administered under the authority of the Insurance Commissioner, and authorized it to transact insurance in this state as necessary to sell policies of basic residential earthquake insurance in the manner provided. The CEA has no authority to transact any other type of insurance business. The CEA's operating expenses are capped at 3% of its premium income.

This bill would revise and recast these provisions by revising the disclosure language an insurer is required to use in offering earthquake coverage and making the contents of that disclosure language dependent upon whether the insurer is a member of the CEA or not and by requiring ~~insurers who are members of the CEA to provide their insureds to be provided~~ with specified disclosures with regard to coverage of losses, the CEA's liability limitations, and premiums concurrent with the issuance or renewal by the CEA of a residential earthquake insurance policy. The bill would ~~also prohibit member insurers from issuing, delivering, or renewing a policy of residential property insurance in this state, unless the named insured is provided information on the availability of residential earthquake insurance from the CEA within 60 days of issuance or renewal of the insured's residential insurance policy, as provided. The CEA would be required to prepare the forms of the information required for use by member insurers and submit the forms to the commissioner for approval. The insurers would be authorized to provide the notice electronically or by mail.~~ *require a participating insurer, at least once each year, to provide each of its residential property insureds with marketing documents produced at the CEA's expense. The bill would make these provisions operative on January 1, 2016.*

This bill would increase the cap on the CEA's operating expenses to not more than ~~5%~~ 6% of its premium income, and exclude certain expenses and costs from being classified as operating expenses. ~~The bill would also require that a CEA residential earthquake insurance policy be effective upon receipt by the member insurer of both the completed CEA-approved application for the policy, signed by the applicant, and either the annual premium or the first installment of the annual premium.~~

~~This bill would also make these provisions operative on July 1, 2015.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 10083 of the Insurance Code, as amended
- 2 by Section 12 of Chapter 369 of the Statutes of 2013, is amended
- 3 to read:
- 4 10083. (a) The offer of coverage required by Section 10081
- 5 may be made prior to, concurrent with, or within 60 days following

1 the issuance or renewal of a residential property insurance policy.
2 If the offer of coverage is mailed to the named insured or applicant,
3 it shall be mailed to the mailing address shown on the policy of
4 residential property insurance or on the application. The offer may
5 be made electronically pursuant to Section 38.5. The offer of
6 earthquake coverage shall contain the following language in at
7 least 10-point boldface type:

8
9 **YOUR**

10 **“YOUR POLICY DOES NOT PROVIDE COVERAGE**
11 **AGAINST THE PERIL OF EARTHQUAKE.**

12 **CALIFORNIA LAW REQUIRES THAT EARTHQUAKE**
13 **COVERAGE BE OFFERED TO YOU AT YOUR OPTION.**

14 **WARNING: THESE COVERAGES MAY DIFFER**
15 **SUBSTANTIALLY FROM AND PROVIDE LESS**
16 **PROTECTION THAN THE COVERAGE PROVIDED BY YOUR**
17 **HOMEOWNERS’ INSURANCE POLICY. THERE ARE**
18 **EXCLUSIONS AND LIMITATIONS SUCH AS**
19 **OUTBUILDINGS, SWIMMING POOLS, MASONRY FENCES,**
20 **AND MASONRY CHIMNEYS. THIS DISCLOSURE FORM**
21 **CONTAINS ONLY A GENERAL DESCRIPTION OF**
22 **COVERAGES AND IS NOT PART OF YOUR EARTHQUAKE**
23 **INSURANCE POLICY. ONLY THE SPECIFIC PROVISIONS**
24 **OF YOUR POLICY WILL DETERMINE WHETHER A**
25 **PARTICULAR LOSS IS COVERED AND, IF SO, THE**
26 **AMOUNT PAYABLE.**

27 **THE COVERAGE, SUBJECT TO POLICY PROVISIONS,**
28 **MAY BE PURCHASED AT ADDITIONAL COST ON THE**
29 **FOLLOWING TERMS:**

30 **(A) AMOUNT OF DWELLING COVERAGE: _____**

31 **(B) APPLICABLE DEDUCTIBLE: _____ IF YOUR LOSS IS**
32 **BELOW THIS AMOUNT, YOU MAY NOT RECEIVE ANY**
33 **PAYMENT FROM YOUR COVERAGE.**

34 **YOUR INSURANCE COMPANY OR AGENT WILL**
35 **PROVIDE WRITTEN NOTICE AS TO HOW THE**
36 **DEDUCTIBLE APPLIES TO THE MARKET VALUE OF YOUR**
37 **COVERAGE, THE INSURED VALUE OF YOUR COVERAGE,**
38 **OR THE REPLACEMENT VALUE OF YOUR COVERAGE.**

39 **(C) CONTENTS COVERAGE: _____**

1 IF YOUR LOSS DOES NOT EXCEED THE DEDUCTIBLE
2 FOR THE DWELLING, YOU WILL NOT RECEIVE ANY
3 PAYMENT FOR THIS COVERAGE.

4 YOUR INSURANCE COMPANY OR AGENT WILL
5 PROVIDE WRITTEN NOTICE AS TO HOW THE
6 DEDUCTIBLE APPLIES TO THE AMOUNT YOU RECEIVE
7 PURSUANT TO THIS COVERAGE.

8 (D) ADDITIONAL LIVING EXPENSES: ____

9 (E) RATE OR PREMIUM: ____

10 YOU MUST ASK THE COMPANY TO ADD EARTHQUAKE
11 COVERAGE WITHIN 30 DAYS FROM THE DATE OF
12 MAILING OF THIS NOTICE OR IT SHALL BE
13 CONCLUSIVELY PRESUMED THAT YOU HAVE NOT
14 ACCEPTED THIS OFFER.

15 THIS COVERAGE SHALL BE EFFECTIVE ON THE DAY
16 YOUR ACCEPTANCE OF THIS OFFER IS RECEIVED BY US.
17 US.”

18
19 (b) When the insurer, agent, or broker establishes delivery of
20 the disclosure form by obtaining the signature of the applicant or
21 insured, or when an insurer, agent, or broker provides the applicant
22 with the disclosure form and the applicant does not return a signed
23 acknowledgment of receipt within 60 days of the date it was
24 provided, there shall be a conclusive presumption that the insurer,
25 agent, or broker has complied with the disclosure requirements of
26 this section.

27 (c) The offer may contain additional provisions not in conflict
28 with or in derogation of this section.

29 (d) The commissioner may only approve modifications to the
30 language prescribed in subdivision (a) if all of the following
31 conditions are met:

32 (1) The modifications are not in conflict with or in derogation
33 of any provision of this section or Section 10089.

34 (2) The modifications are necessary to ensure that the disclosure
35 statement accurately reflects the coverage actually provided by
36 the policy being offered.

37 (3) The modifications are strictly limited to necessary changes
38 so that the modified disclosure statement is otherwise identical to
39 the disclosure statement prescribed in this section.

(e) Use of the language prescribed by this section, or modified language approved pursuant to subdivision (d), shall constitute compliance with the requirements of Section 10081 by an insurer subject thereto.

(f) This section shall remain in effect only until ~~July 1, 2015, January 1, 2016~~, and as of that date is repealed, unless a later enacted statute, that is enacted before ~~July 1, 2015, January 1, 2016~~, deletes or extends that date.

SEC. 2. Section 10083 is added to the Insurance Code, to read:

10083. (a) The offer of coverage required by Section 10081 may be made prior to, concurrent with, or within 60 days following the issuance or renewal of a residential property insurance policy. If the offer of coverage is mailed to the named insured or applicant, it shall be mailed to the mailing address shown on the policy of residential property insurance or on the application. The offer may be made electronically pursuant to Section 38.5.

(1) If the offer is made by a nonparticipating insurer as defined in Section 10089.5, the offer of earthquake coverage shall contain all of the following language in at least 10-point boldface type:

~~“Your [property; renters; homeowners; condominium; townhouse; dwelling; landlord; or other term that may describe the type of companion policy] residential property insurance policy does not cover earthquake damage to your home or its contents. To~~

~~To cover earthquake damage to your home and its contents you need to purchase a separate earthquake insurance policy. The coverage provided by an earthquake insurance policy is different from, and typically more limited than, the coverage provided by your [property; renters; homeowners; condominium; townhouse; dwelling; landlord; or other term that may describe the type of companion policy] residential property insurance policy. California~~

~~California law requires insurance companies to offer earthquake insurance in conjunction with a residential property insurance policy. If you do not accept the offer of earthquake insurance below within 30 days of the mailing of this notice, your insurance company may shall presume that you have not accepted this offer of earthquake insurance.~~

1 You may purchase earthquake insurance coverage, subject to
2 policy provisions, at additional cost on all of on the following
3 terms:

4 (A) Amount of Dwelling Coverage [Insurers may reference
5 Building Property coverage if a Common Interest Development
6 policy.]: _____

7 (B) Applicable Deductible: _____ If your loss
8 is below this amount, you may not receive any payment for your
9 loss.

10 (C) Contents Coverage [Insurers may reference Personal
11 Property as that term is in the policy.]: [Insurers should include
12 and explain briefly how the deductible works. Some variation is
13 allowed, but samples include:

14 For a Homeowners Policy, the dwelling deductible applies to
15 Contents Coverage. Nothing will be paid until the dwelling
16 deductible is met by damage to Coverage A and Coverage B
17 property.

18 For Renters Policies and Common Interest Development Policies,
19 a \$750 deductible applies to Contents Coverage.]

20 (D) Additional Living Expenses [Insurers may reference Loss
21 of Use.]: [Insurers shall explain briefly if there is a deductible and
22 how much it is.]

23 (A) Amount of Dwelling/Building Coverage Limit:
24 _____

25 (B) Deductible: _____

26 (C) Contents Coverage Limit: _____

27 (D) Additional Living Expenses Coverage Limit:
28 _____

29 (E) Estimated Annual Premium: _____

30 *The deductible represents the amount of damage your covered*
31 *property must incur before the earthquake insurance coverage*
32 *begins. If your covered loss is less than the applicable deductible,*
33 *you may not receive any payment.*

34 Contact your insurance agent or your insurance company to
35 obtain details regarding this offer of earthquake insurance and
36 other coverage options.”

37
38 (2) If the offer is made by a participating insurer as defined by
39 Section 10089.5, the offer of earthquake coverage shall contain
40 all of the following language in at least 10-point boldface type:

1
2 “Your—[property; renters; homeowners; condominium;
3 townhouse; dwelling; landlord; or other term that may describe
4 the type of companion policy] *residential property insurance* policy
5 does not cover earthquake damage to your home or its contents.

6 To

7 To cover earthquake damage to your home and its contents you
8 need to purchase a separate earthquake insurance policy. The
9 coverage provided by an earthquake insurance policy is different
10 from, and typically more limited than, the coverage provided by
11 your [property; renters; homeowners; condominium; townhouse;
12 dwelling; landlord; or other term that may describe the type of
13 companion policy] *residential property insurance* policy. California

14 California law requires insurance companies to offer earthquake
15 insurance in conjunction with a residential property insurance
16 policy. If you do not accept the offer of earthquake insurance below
17 within 30 days of the mailing of this notice, your insurance
18 company may *shall* presume that you have not accepted this offer
19 of earthquake insurance.

20 You may purchase earthquake insurance coverage, subject to
21 policy provisions, at additional cost on all of on the following
22 terms:

23 (A) Amount of Dwelling Coverage [Insurers may reference
24 Building Property coverage if a Common Interest Development
25 policy.]: _____

26 (B) Applicable Deductible: _____ If your loss
27 is below this amount, you may not receive any payment for your
28 loss.

29 (C) Contents Coverage [Insurers may reference Personal
30 Property as that term is in the policy.]: [Insurers should include
31 and explain briefly how the deductible works. Some variation is
32 allowed, but samples include:

33 For a Homeowners Policy, the dwelling deductible applies to
34 Contents Coverage. Nothing will be paid until the dwelling
35 deductible is met by damage to Coverage A and Coverage B
36 property.

37 For Renters Policies and Common Interest Development Policies,
38 a \$750 deductible applies to Contents Coverage.]

1 ~~(D) Additional Living Expenses [Insurers may reference Loss~~
2 ~~of Use.]; [Insurers shall explain briefly if there is a deductible and~~
3 ~~how much it is.]~~

4 (A) Amount of Dwelling/Building Coverage Limit:

5 _____
6 (B) Deductible: _____

7 (C) Contents Coverage Limit: _____

8 (D) Additional Living Expenses Coverage Limit:

9 _____
10 (E) Estimated Annual Premium: _____

11 ~~For an additional premium, you can choose California~~
12 ~~Earthquake Authority (CEA) coverage options such as higher~~
13 ~~limits for contents or additional living expenses coverages;~~
14 ~~increased building code upgrade limits, or a lower deductible. You~~
15 ~~can also choose to buy certain CEA coverages separately.~~

16 *The deductible represents the amount of damage your covered*
17 *property must incur before the earthquake insurance coverage*
18 *begins. If your covered loss is less than the applicable deductible,*
19 *you may not receive any payment.*

20 *If you choose not to accept this offer within the 30-day period,*
21 *you may apply for earthquake coverage at a later date.*

22 *Your insurance company contracts with the California*
23 *Earthquake Authority (CEA) to offer earthquake insurance to its*
24 *customers. For an additional premium, you can choose CEA*
25 *coverage options such as higher limits for Contents or Additional*
26 *Living Expenses, increased building code upgrade limits, or a*
27 *lower deductible. You can also choose to buy certain CEA*
28 *coverages separately.*

29 Contact your insurance agent or your insurance company to
30 obtain details regarding this offer of earthquake insurance and
31 other coverage options.”

32
33 (b) When the insurer, agent, or broker establishes delivery of
34 the disclosure form by obtaining the signature of the applicant or
35 insured, or when an insurer, agent, or broker provides the applicant
36 with the disclosure form and the applicant does not return a signed
37 acknowledgment of receipt within 60 days of the date it was
38 provided, there shall be a conclusive presumption that the insurer,
39 agent, or broker has complied with the disclosure requirements of
40 this section.

1 (c) The offer may contain additional provisions not in conflict
2 with or in derogation of this section.

3 (d) The commissioner may only approve modifications to the
4 language prescribed in subdivision (a) if all of the following
5 conditions are met:

6 (1) The modifications are not in conflict with or in derogation
7 of any provision of this section or Section 10089.

8 (2) The modifications are necessary to ensure that the disclosure
9 statement accurately reflects the coverage actually provided by
10 the policy being offered.

11 (3) The modifications are strictly limited to necessary changes
12 so that the modified disclosure statement is otherwise identical to
13 the disclosure statement prescribed in this section.

14 (e) Use of the language prescribed by this section, or modified
15 language approved pursuant to subdivision (d), shall constitute
16 compliance with the requirements of Section 10081 by an insurer
17 subject to the requirements.

18 (f) This section shall become operative on ~~July 1, 2015~~. *January*
19 *1, 2016*.

20 (g) This section shall remain in effect only until January 1, 2019,
21 and as of that date is repealed, unless a later enacted statute, that
22 is enacted before January 1, 2019, deletes or extends that date.

23 SEC. 3. Section 10083 of the Insurance Code, as added by
24 Section 13 of Chapter 369 of the Statutes of 2013, is amended to
25 read:

26 10083. (a) The offer of coverage required by Section 10081
27 may be made prior to, concurrent with, or within 60 days following
28 the issuance or renewal of a residential property insurance policy.
29 If the offer of coverage is mailed to the named insured or applicant,
30 it shall be mailed to the mailing address shown on the policy of
31 residential property insurance or on the application.

32 (1) If the offer is made by a nonparticipating insurer as defined
33 in Section 10089.5, the offer of earthquake coverage shall contain
34 all of the following language in at least 10-point boldface type:

35
36 “Your—~~[property; renters; homeowners; condominium;~~
37 ~~townhouse; dwelling; landlord; or other term that may describe~~
38 ~~the type of companion policy]~~ *residential property insurance* policy
39 does not cover earthquake damage to your home or its contents.
40 To

To cover earthquake damage to your home and its contents you need to purchase a separate earthquake insurance policy. The coverage provided by an earthquake insurance policy is different from, and typically more limited than, the coverage provided by your ~~[property; renters; homeowners; condominium; townhouse; dwelling; landlord; or other term that may describe the type of companion policy]~~ *residential property insurance* policy. ~~California~~

California law requires insurance companies to offer earthquake insurance in conjunction with a residential property insurance policy. If you do not accept the offer of earthquake insurance below within 30 days of the mailing of this notice, your insurance company ~~may~~ *shall* presume that you have not accepted this offer of earthquake insurance.

You may purchase earthquake insurance coverage, ~~subject to policy provisions, at additional cost on all of~~ *on* the following terms:

~~(A) Amount of Dwelling Coverage [Insurers may reference Building Property coverage if a Common Interest Development policy.]: _____~~

~~(B) Applicable Deductible: _____ If your loss is below this amount, you may not receive any payment for your loss.~~

~~(C) Contents Coverage [Insurers may reference Personal Property as that term is in the policy.]: [Insurers should include and explain briefly how the deductible works. Some variation is allowed, but samples include:~~

~~For a Homeowners Policy, the dwelling deductible applies to Contents Coverage. Nothing will be paid until the dwelling deductible is met by damage to Coverage A and Coverage B property.~~

~~For Renters Policies and Common Interest Development Policies, a \$750 deductible applies to Contents Coverage.]~~

~~(D) Additional Living Expenses [Insurers may reference Loss of Use.]: [Insurers shall explain briefly if there is a deductible and how much it is.]~~

~~(A) Amount of Dwelling/Building Coverage Limit:~~

~~_____~~

~~(B) Deductible: _____~~

~~(C) Contents Coverage Limit: _____~~

(D) Additional Living Expenses Coverage Limit:

(E) Estimated Annual Premium:_____

The deductible represents the amount of damage your covered property must incur before the earthquake insurance coverage begins. If your covered loss is less than the applicable deductible, you may not receive any payment.

Contact your insurance agent or your insurance company to obtain details regarding this offer of earthquake insurance and other coverage options.”

(2) If the offer is made by a participating insurer as defined by Section 10089.5, the offer of earthquake coverage shall contain all of the following language in at least 10-point boldface type:

~~“Your [property; renters; homeowners; condominium; townhouse; dwelling; landlord; or other term that may describe the type of companion policy] residential property insurance policy~~ does not cover earthquake damage to your home or its contents.
~~To~~

To cover earthquake damage to your home and its contents you need to purchase a separate earthquake insurance policy. The coverage provided by an earthquake insurance policy is different from, and typically more limited than, the coverage provided by your [property; renters; homeowners; condominium; townhouse; dwelling; landlord; or other term that may describe the type of companion policy] residential property insurance policy. California

California law requires insurance companies to offer earthquake insurance in conjunction with a residential property insurance policy. If you do not accept the offer of earthquake insurance below within 30 days of the mailing of this notice, your insurance company may shall presume that you have not accepted this offer of earthquake insurance.

You may purchase earthquake insurance coverage, ~~subject to policy provisions, at additional cost on all of~~ *on* the following terms:

~~(A) Amount of Dwelling Coverage [Insurers may reference Building Property coverage if a Common Interest Development policy.]: _____~~

(B) ~~Applicable Deductible: _____ If your loss is below this amount, you may not receive any payment for your loss.~~

(C) ~~Contents Coverage [Insurers may reference Personal Property as that term is in the policy.]: [Insurers should include and explain briefly how the deductible works. Some variation is allowed, but samples include:~~

~~For a Homeowners Policy, the dwelling deductible applies to Contents Coverage. Nothing will be paid until the dwelling deductible is met by damage to Coverage A and Coverage B property.~~

~~For Renters Policies and Common Interest Development Policies, a \$750 deductible applies to Contents Coverage.]~~

(D) ~~Additional Living Expenses [Insurers may reference Loss of Use.]: [Insurers shall explain briefly if there is a deductible and how much it is.]~~

(A) *Amount of Dwelling/Building Coverage Limit:*

(B) *Deductible: _____*

(C) *Contents Coverage Limit: _____*

(D) *Additional Living Expenses Coverage Limit:*

(E) *Estimated Annual Premium: _____*

~~For an additional premium, you can choose California Earthquake Authority (CEA) coverage options such as higher limits for contents or additional living expenses coverages, increased building code upgrade limits, or a lower deductible. You can also choose to buy certain CEA coverages separately.~~

The deductible represents the amount of damage your covered property must incur before the earthquake insurance coverage begins. If your covered loss is less than the applicable deductible, you may not receive any payment.

If you choose not to accept this offer within the 30-day period, you may apply for earthquake coverage at a later date.

Your insurance company contracts with the California Earthquake Authority (CEA) to offer earthquake insurance to its customers. For an additional premium, you can choose CEA coverage options such as higher limits for Contents or Additional Living Expenses, increased building code upgrade limits, or a

1 *lower deductible. You can also choose to buy certain CEA*
2 *coverages separately.*

3 Contact your insurance agent or your insurance company to
4 obtain details regarding this offer of earthquake insurance and
5 other coverage options.”

6
7 (b) When the insurer, agent, or broker establishes delivery of
8 the disclosure form by obtaining the signature of the applicant or
9 insured, or when an insurer, agent, or broker provides the applicant
10 with the disclosure form and the applicant does not return a signed
11 acknowledgment of receipt within 60 days of the date it was
12 provided, there shall be a conclusive presumption that the insurer,
13 agent, or broker has complied with the disclosure requirements of
14 this section.

15 (c) The offer may contain additional provisions not in conflict
16 with or in derogation of this section.

17 (d) The commissioner may only approve modifications to the
18 language prescribed in subdivision (a) if all of the following
19 conditions are met:

20 (1) The modifications are not in conflict with or in derogation
21 of any provision of this section or Section 10089.

22 (2) The modifications are necessary to ensure that the disclosure
23 statement accurately reflects the coverage actually provided by
24 the policy being offered.

25 (3) The modifications are strictly limited to necessary changes
26 so that the modified disclosure statement is otherwise identical to
27 the disclosure statement prescribed in this section.

28 (e) Use of the language prescribed by this section, or modified
29 language approved pursuant to subdivision (d), shall constitute
30 compliance with the requirements of Section 10081 by an insurer
31 subject thereto.

32 (f) This section shall become operative on January 1, 2019.

33 SEC. 4. Section 10086 of the Insurance Code, as amended by
34 Section 14 of Chapter 369 of the Statutes of 2013, is amended to
35 read:

36 10086. (a) If an offer of earthquake coverage is accepted, the
37 coverage shall be continued at the applicable rates and conditions
38 for the policy term, provided the policy of residential property
39 insurance is not terminated by the named insured or insurer.

1 (1) At any renewal, an insurer may modify the terms and
2 conditions of an existing policy, rider, or endorsement providing
3 coverage against loss or damage caused by the peril of earthquake
4 if the modified terms and conditions provide the minimum
5 coverages required by Section 10089.

6 (2) An insurer that modifies the terms and conditions of an
7 existing policy, rider, or endorsement shall provide the insured
8 with the renewal notice in a stand-alone disclosure document
9 stating the changes in the terms and conditions of the insured's
10 existing policy, rider, or endorsement. The offer of renewal may
11 be made electronically pursuant to Section 38.5. Proof of mailing
12 of the disclosure document by first-class mail to a named insured
13 at the mailing address shown on the policy or application, or proof
14 consistent with Section 38.5 that the offer of renewal of coverage
15 was sent to the named insured or applicant by electronic
16 transmission, creates a conclusive presumption that the disclosure
17 document was provided. The disclosure shall include the following
18 statement in 14-point boldface type:

19
20 **THE**

21 **"THE COVERAGE IN THE POLICY WE ARE OFFERING**
22 **YOU WITH THIS RENEWAL HAS BEEN REDUCED, AND**
23 **SUBSTANTIALLY DIFFERS FROM THE COVERAGES**
24 **PROVIDED BY YOUR HOMEOWNERS' POLICY.**
25 **INSURANCE COMPANIES ARE ALLOWED TO RENEW**
26 **EARTHQUAKE INSURANCE POLICIES WITH COVERAGE**
27 **THAT IS REDUCED FROM THE COVERAGE YOU**
28 **PREVIOUSLY PURCHASED. YOU MAY REQUEST A**
29 **SAMPLE COPY OF THIS NEW POLICY TO REVIEW PRIOR**
30 **TO MAKING A DECISION TO ACCEPT THIS RENEWAL,**
31 **AND WE WILL MAIL OR DELIVER IT TO YOU WITHIN 14**
32 **DAYS OF YOUR REQUEST. A REQUEST FOR THE SAMPLE**
33 **COPY SHALL NOT CHANGE OR EXTEND THE POLICY**
34 **EXPIRATION DATE SPECIFIED IN THE RENEWAL NOTICE.**
35 **A SUMMARY OF THE CHANGES IS INCLUDED WITH THIS**
36 **NOTICE. NOTICE."**

37
38 The commissioner shall approve the form of the summary at the
39 time he or she approves the policy. The summary shall include the

1 information contained in subdivision (a) of Section 10083, and
2 may be included with the renewal notice in standard type.

3 The commissioner may approve substantially similar disclosure
4 forms if necessary to accurately disclose relevant information to
5 the policyholder. The commissioner may also approve disclosure
6 forms substantially similar to the disclosure statement required by
7 Section 10083 if necessary to accurately disclose relevant
8 information to the policyholder.

9 (3) If the earthquake coverage is provided by a policy issued
10 by the California Earthquake Authority, the following disclosure
11 shall be provided in 14-point boldface type:
12

13
14 **CALIFORNIA**

15
16
17 **"CALIFORNIA EARTHQUAKE AUTHORITY POLICY**
18 **DISCLOSURE**
19

20 THIS POLICY IS BEING PURCHASED FROM THE
21 CALIFORNIA EARTHQUAKE AUTHORITY ("CEA"). THE
22 COVERAGE IN THIS CEA POLICY SUBSTANTIALLY
23 DIFFERS FROM THE COVERAGES PROVIDED IN YOUR
24 HOMEOWNER'S POLICY. THE CEA IS NOT PART OF OR
25 ASSOCIATED WITH YOUR HOMEOWNER'S INSURANCE
26 COMPANY. IF LOSSES AS A RESULT OF AN EARTHQUAKE
27 OR A SERIES OF EARTHQUAKES EXCEED THE
28 AVAILABLE RESOURCES OF THE CEA, THIS POLICY IS
29 NOT COVERED BY THE CALIFORNIA INSURANCE
30 GUARANTY ASSOCIATION. THEREFORE, THE
31 CALIFORNIA INSURANCE GUARANTY ASSOCIATION
32 WILL NOT PAY YOUR CLAIMS OR PROTECT YOUR
33 ASSETS IF THE CEA BECOMES INSOLVENT AND IS
34 UNABLE TO MAKE PAYMENTS AS PROMISED. IN
35 ADDITION, YOUR CEA POLICY MAY BE SUBJECT TO
36 FUTURE SURCHARGES OF THE POLICY PREMIUM IN
37 CERTAIN CASES WHERE AN EARTHQUAKE OR SERIES
38 OF EARTHQUAKES HAS EXCEEDED AVAILABLE
39 RESOURCES TO PAY CLAIMS. IN THAT CASE, THIS
40 MEANS THAT IN ADDITION TO THE ANNUAL PREMIUM,

1 YOU MAY BE CHARGED UP TO AN ADDITIONAL 20% OF
2 THE ~~PREMIUM~~. *PREMIUM*.”

3
4 (b) If the offer is not accepted, the insurer or any affiliated
5 insurer shall be required on an every other year basis to offer
6 earthquake coverage in connection with any continuation, renewal,
7 or reinstatement of the policy following any lapse thereof, or with
8 respect to any other policy that extends, changes, supersedes, or
9 replaces the policy of residential property insurance. The offer
10 may be made electronically pursuant to Section 38.5.

11 (c) Nothing in this section shall preclude the named insured
12 from terminating the earthquake coverage at any time.

13 (d) This section shall remain in effect only until ~~July 1, 2015,~~
14 *January 1, 2016*, and as of that date is repealed, unless a later
15 enacted statute, that is enacted before ~~July 1, 2015,~~ *January 1,*
16 *2016*, deletes or extends that date.

17 SEC. 5. Section 10086 is added to the Insurance Code, to read:

18 10086. (a) If an offer of earthquake coverage, made pursuant
19 to Section 10081, is accepted, the coverage shall be continued at
20 the applicable rates and conditions for the policy term, provided
21 the policy of residential property insurance is not terminated by
22 the named insured or insurer.

23 (1) At any renewal, an insurer may modify the terms and
24 conditions of an existing policy, rider, or endorsement providing
25 coverage against loss or damage caused by the peril of earthquake
26 if the modified terms and conditions provide the minimum
27 coverages required by Section 10089.

28 (2) An insurer that modifies the terms and conditions of an
29 existing policy, rider, or endorsement shall provide the insured
30 with the renewal notice in a stand-alone disclosure document
31 stating the changes in the terms and conditions of the insured's
32 existing policy, rider, or endorsement. The offer of renewal may
33 be made electronically pursuant to Section 38.5. Proof of mailing
34 of the disclosure document by first-class mail to a named insured
35 at the mailing address shown on the policy or application, or proof
36 consistent with Section 38.5 that the offer of renewal of coverage
37 was sent to the named insured or applicant by electronic
38 transmission, creates a conclusive presumption that the disclosure
39 document was provided. The disclosure shall include the following
40 statement in 14-point boldface type:

1
2 “THE COVERAGE IN THE POLICY WE ARE OFFERING
3 YOU WITH THIS RENEWAL HAS BEEN REDUCED, AND
4 SUBSTANTIALLY DIFFERS FROM THE COVERAGES
5 PROVIDED BY YOUR HOMEOWNERS’ POLICY.
6 INSURANCE COMPANIES ARE ALLOWED TO RENEW
7 EARTHQUAKE INSURANCE POLICIES WITH COVERAGE
8 THAT IS REDUCED FROM THE COVERAGE YOU
9 PREVIOUSLY PURCHASED. YOU MAY REQUEST A
10 SAMPLE COPY OF THIS NEW POLICY TO REVIEW PRIOR
11 TO MAKING A DECISION TO ACCEPT THIS RENEWAL,
12 AND WE WILL MAIL OR DELIVER IT TO YOU WITHIN 14
13 DAYS OF YOUR REQUEST. A REQUEST FOR THE SAMPLE
14 COPY SHALL NOT CHANGE OR EXTEND THE POLICY
15 EXPIRATION DATE SPECIFIED IN THE RENEWAL NOTICE.
16 A SUMMARY OF THE CHANGES IS INCLUDED WITH THIS
17 NOTICE.”
18

19 The commissioner shall approve the form of the summary at the
20 time he or she approves the policy. The summary shall include the
21 information contained in subdivision (a) of Section 10083, and
22 may be included with the renewal notice in standard type.

23 The commissioner may approve substantially similar disclosure
24 forms if necessary to accurately disclose relevant information to
25 the policyholder. The commissioner may also approve disclosure
26 forms substantially similar to the disclosure statement required by
27 Section 10083 if necessary to accurately disclose relevant
28 information to the policyholder.

29 (b) If the offer of earthquake coverage made pursuant to Section
30 10081 is not accepted, the insurer or any affiliated insurer shall be
31 required on an every other year basis to offer earthquake coverage
32 in connection with any continuation, renewal, or reinstatement of
33 the policy following any lapse thereof, or with respect to any other
34 policy that extends, changes, supersedes, or replaces the policy of
35 residential property insurance. The offer may be made
36 electronically pursuant to Section 38.5.

37 (c) Nothing in this section shall preclude the named insured
38 from terminating the earthquake coverage at any time.

39 (d) This section shall become operative on ~~July 1, 2015~~. *January*
40 *1, 2016*.

(e) This section shall remain in effect only until January 1, 2019, and as of that date is repealed, unless a later enacted statute, that is enacted before January 1, 2019, deletes or extends that date.

SEC. 6. Section 10086 of the Insurance Code, as added by Section 15 of Chapter 369 of the Statutes of 2013, is amended to read:

10086. (a) If an offer of earthquake coverage, made pursuant to Section 10081, is accepted, the coverage shall be continued at the applicable rates and conditions for the policy term, provided the policy of residential property insurance is not terminated by the named insured or insurer.

(1) At any renewal, an insurer may modify the terms and conditions of an existing policy, rider, or endorsement providing coverage against loss or damage caused by the peril of earthquake if the modified terms and conditions provide the minimum coverages required by Section 10089.

(2) An insurer that modifies the terms and conditions of an existing policy, rider, or endorsement shall provide the insured with the renewal notice in a stand-alone disclosure document stating the changes in the terms and conditions of the insured's existing policy, rider, or endorsement. Proof of mailing of the disclosure document by first-class mail to a named insured at the mailing address shown on the policy or application creates a conclusive presumption that the disclosure document was provided. The disclosure shall include the following statement in 14-point boldface type:

“THE COVERAGE IN THE POLICY WE ARE OFFERING YOU WITH THIS RENEWAL HAS BEEN REDUCED, AND SUBSTANTIALLY DIFFERS FROM THE COVERAGES PROVIDED BY YOUR HOMEOWNERS’ POLICY. INSURANCE COMPANIES ARE ALLOWED TO RENEW EARTHQUAKE INSURANCE POLICIES WITH COVERAGE THAT IS REDUCED FROM THE COVERAGE YOU PREVIOUSLY PURCHASED. YOU MAY REQUEST A SAMPLE COPY OF THIS NEW POLICY TO REVIEW PRIOR TO MAKING A DECISION TO ACCEPT THIS RENEWAL, AND WE WILL MAIL OR DELIVER IT TO YOU WITHIN 14 DAYS OF YOUR REQUEST. A REQUEST FOR THE SAMPLE COPY SHALL NOT CHANGE OR EXTEND THE POLICY

1 EXPIRATION DATE SPECIFIED IN THE RENEWAL NOTICE.
2 A SUMMARY OF THE CHANGES IS INCLUDED WITH THIS
3 NOTICE.”
4

5 The commissioner shall approve the form of the summary at the
6 time he or she approves the policy. The summary shall include the
7 information contained in subdivision (a) of Section 10083, and
8 may be included with the renewal notice in standard type.

9 The commissioner may approve substantially similar disclosure
10 forms if necessary to accurately disclose relevant information to
11 the policyholder. The commissioner may also approve disclosure
12 forms substantially similar to the disclosure statement required by
13 Section 10083 if necessary to accurately disclose relevant
14 information to the policyholder.

15 (b) If the offer of earthquake coverage made pursuant to Section
16 10081 is not accepted, the insurer or any affiliated insurer shall be
17 required on an every other year basis to offer earthquake coverage
18 in connection with any continuation, renewal, or reinstatement of
19 the policy following any lapse thereof, or with respect to any other
20 policy that extends, changes, supersedes, or replaces the policy of
21 residential property insurance.

22 (c) Nothing in this section shall preclude the named insured
23 from terminating the earthquake coverage at any time.

24 (d) This section shall become operative on January 1, 2019.

25 SEC. 7. Section 10089.6 of the Insurance Code is amended to
26 read:

27 10089.6. (a) There is hereby created the California Earthquake
28 Authority, which shall be administered under the authority of the
29 commissioner and have the powers conferred by this chapter. The
30 authority shall be authorized to transact insurance in this state as
31 necessary to sell policies of basic residential earthquake insurance
32 in the manner set forth in Sections 10089.26, 10089.27, and
33 10089.28. The authority shall have no authority to transact any
34 other type of insurance business.

35 (b) (1) The investments of the authority shall be limited to those
36 securities eligible under Section 16430 of the Government Code.

37 (2) The rights, obligations, and duties owed by the authority to
38 its insureds, beneficiaries of insureds, and applicants for insurance
39 shall be the same as the rights, obligations, and duties owed by
40 insurers to its insureds, beneficiaries of ~~insureds~~ insureds, and

1 applicants for insurance under common law, regulations, and
2 statutes. The authority shall be liable to its insureds, beneficiaries
3 of insureds, and applicants for insurance as an insurer is liable to
4 its insureds, beneficiaries of insureds, and applicants for insurance
5 under common law, regulations, and statutes.

6 (c) The operating expenses of the authority shall be capped at
7 not more than 3 6 percent of the premium income received by the
8 authority. The funds shall be available to pay any advocacy fees
9 awarded in a proceeding under subdivision (c) of Section 10089.11.

10 ~~(d) This section shall remain in effect only until July 1, 2015,~~
11 ~~and as of that date is repealed, unless a later enacted statute, that~~
12 ~~is enacted before July 1, 2015, deletes or extends that date.~~

13 (d) For purposes of this section, the term “operating expenses
14 of the authority” excludes solely the following:

15 (1) The costs of and transaction expenses associated with
16 risk-transfer purchases, including the purchase of reinsurance
17 and with capital-market contracts.

18 (2) The expense of securing and repaying bonds.

19 (3) The cost of repayment of bonds guaranteed, insured, or
20 otherwise backed by any department or agency of the United States
21 or of this state, or by any private entity.

22 (4) Payments to third parties for all of the following services
23 provided to the authority:

24 (A) Investment.

25 (B) Loss-modeling.

26 (C) Legal services.

27 (5) Costs associated with the authority’s efforts to acquaint the
28 public with and market authority products, promote earthquake
29 preparedness, and earthquake-loss mitigation under the authority’s
30 duly adopted strategic plan.

31 (6) Producer compensation.

32 (7) Participating insurer fees and reimbursement amounts
33 arising under written contracts.

34 (8) Amounts paid by the authority to support research in seismic
35 science and seismic engineering.

36 (9) Loans, grants, and expenses to support and maintain the
37 authority’s earthquake loss-mitigation goals and programs,
38 whether conducted by the authority alone or in collaboration with
39 or by other persons.

1 (10) *The costs of and loss-adjustment expenses associated with*
2 *adjusting and paying policyholder claims for earthquake losses*
3 *that are incurred by the authority under its earthquake insurance*
4 *policies, including all costs and expenses associated with*
5 *claim-related litigation, provided that all of those costs and*
6 *expenses shall be reported to the Legislature in the manner*
7 *required by subdivision (e) of Section 10089.13.*

8 ~~SEC. 8. Section 10089.6 is added to the Insurance Code, to~~
9 ~~read:~~

10 ~~10089.6. (a) There is hereby created the California Earthquake~~
11 ~~Authority, which shall be administered under the authority of the~~
12 ~~commissioner and have the powers conferred by this chapter. The~~
13 ~~authority shall be authorized to transact insurance in this state as~~
14 ~~necessary to sell policies of basic residential earthquake insurance~~
15 ~~in the manner set forth in Sections 10089.26, 10089.27, and~~
16 ~~10089.28. The authority shall have no authority to transact any~~
17 ~~other type of insurance business.~~

18 ~~(b) (1) The investments of the authority shall be limited to those~~
19 ~~securities eligible under Section 16430 of the Government Code.~~

20 ~~(2) The rights, obligations, and duties owed by the authority to~~
21 ~~its insureds, beneficiaries of insureds, and applicants for insurance~~
22 ~~shall be the same as the rights, obligations, and duties owed by~~
23 ~~insurers to its insureds, beneficiaries of insureds, and applicants~~
24 ~~for insurance under common law, regulations, and statutes. The~~
25 ~~authority shall be liable to its insureds, beneficiaries of insureds,~~
26 ~~and applicants for insurance as an insurer is liable to its insureds,~~
27 ~~beneficiaries of insureds, and applicants for insurance under~~
28 ~~common law, regulations, and statutes.~~

29 ~~(c) The operating expenses of the authority shall be capped at~~
30 ~~not more than 5 percent of the premium income received by the~~
31 ~~authority. The funds shall be available to pay any advocacy fees~~
32 ~~awarded in a proceeding under subdivision (c) of Section 10089.11.~~

33 ~~(d) For purposes of this subdivision, the term “operating~~
34 ~~expenses of the authority” excludes solely the following:~~

35 ~~(1) The costs of and transaction expenses associated with~~
36 ~~risk-transfer purchases, including the purchase of reinsurance and~~
37 ~~with capital-market contracts.~~

38 ~~(2) The expense of securing and repaying bonds.~~

~~(3) The cost of repayment of bonds guaranteed, insured, or otherwise backed by any department or agency of the United States or of this state, or by any private entity.~~

~~(4) Payments to third parties for all of the following services provided to the authority:~~

~~(A) Investment.~~

~~(B) Loss-modeling.~~

~~(C) Legal services.~~

~~(5) Costs associated with the authority's efforts to acquaint the public with and market authority products, promote earthquake preparedness, and earthquake-loss mitigation under the authority's duly adopted strategic plan.~~

~~(6) Producer compensation.~~

~~(7) Participating insurer fees and reimbursement amounts arising under written contracts.~~

~~(8) Amounts paid by the authority to support research in seismic science and seismic engineering.~~

~~(9) Loans, grants, and expenses to support and maintain the authority's earthquake loss-mitigation goals and programs, whether conducted by the authority alone or in collaboration with or by other persons.~~

~~(10) The costs of and loss-adjustment expenses associated with adjusting and paying policyholder claims for earthquake losses that are incurred by the authority under its earthquake insurance policies, including all costs and expenses associated with claim-related litigation, provided that all of those costs and expenses shall be reported to the Legislature in the manner required by subdivision (e) of Section 10089.13.~~

~~(e) This section shall become operative on July 1, 2015.~~

~~SEC. 9.~~

~~SEC. 8. Section 10089.26 of the Insurance Code is amended to read:~~

~~10089.26. (a) The authority shall issue policies of basic residential earthquake insurance, including *an option for* earthquake loss assessment policies for individual condominium unit properties, to any owner of a qualifying residential property, as long as the owner has secured a policy of residential property insurance from a participating insurer.~~

~~(1) For purposes of this section, earthquake loss assessment coverage shall be issued in a minimum amount of fifty thousand~~

dollars (\$50,000) for individual condominium units valued at more than one hundred thirty-five thousand dollars (\$135,000). Earthquake loss assessment coverage shall be issued in a minimum amount of twenty-five thousand dollars (\$25,000) for individual condominium units of one hundred thirty-five thousand dollars (\$135,000) in value or less. The value of the land shall be excluded when determining the value of the condominium, as it relates to the earthquake loss assessment coverage offered by the authority.

(2) The panel shall submit to the board, and the board shall approve, rates for earthquake loss assessment coverage that reasonably balance the earthquake loss assessment coverages offered and the potential exposure to earthquake loss resulting from an earthquake loss assessment policy as compared to the coverages offered and the potential exposure to earthquake loss resulting from residential property other than individual condominium policies.

It is the intent of the Legislature, to the extent practicable, that rates charged by the authority to condominium loss assessment policyholders and residential property owner policyholders are treated equitably, and that a proportionate share of premiums is paid for potential exposure to loss, to the authority.

(b) Nothing in this section shall prohibit a participating or nonparticipating insurer from offering a condominium earthquake loss assessment policy for different amounts of coverage other than those offered by the authority.

~~(c) This section shall remain in effect only until July 1, 2015, and as of that date is repealed, unless a later enacted statute, that is enacted before July 1, 2015, deletes or extends that date.~~

SEC. 10. Section 10089.26 is added to the Insurance Code, to read:

~~10089.26. (a) (1) The authority shall issue policies of basic residential earthquake insurance, including earthquake loss assessment policies for individual condominium unit properties, to any owner of a qualifying residential property, as long as the owner has secured a policy of residential property insurance from a participating insurer.~~

~~(2) A policy of residential earthquake insurance written by the authority shall be effective upon receipt by the participating insurer of both of the following:~~

1 (A) The completed authority-approved application for the policy;
2 signed by the applicant.

3 (B) Either the annual premium or the first installment of the
4 annual premium.

5 (b) For purposes of this section, earthquake loss assessment
6 coverage shall be issued in a minimum amount of fifty thousand
7 dollars (\$50,000) for individual condominium units valued at more
8 than one hundred thirty-five thousand dollars (\$135,000).
9 Earthquake loss assessment coverage shall be issued in a minimum
10 amount of twenty-five thousand dollars (\$25,000) for individual
11 condominium units of one hundred thirty-five thousand dollars
12 (\$135,000) in value or less. The value of the land shall be excluded
13 when determining the value of the condominium, as it relates to
14 the earthquake loss assessment coverage offered by the authority.

15 (c) The panel shall submit to the board, and the board shall
16 approve, rates for earthquake loss assessment coverage that
17 reasonably balance the earthquake loss assessment coverages
18 offered and the potential exposure to earthquake loss resulting
19 from an earthquake loss assessment policy as compared to the
20 coverages offered and the potential exposure to earthquake loss
21 resulting from residential property other than individual
22 condominium policies.

23 (d) It is the intent of the Legislature, to the extent practicable,
24 that rates charged by the authority to condominium loss assessment
25 policyholders and residential property owner policyholders are
26 treated equitably, and that a proportionate share of the premium
27 is paid for potential exposure to loss, to the authority.

28 (e) Nothing in this section shall prohibit a participating or
29 nonparticipating insurer from offering a condominium earthquake
30 loss assessment policy for different amounts of coverage other
31 than those offered by the authority.

32 (f) This section shall become operative on July 1, 2015.

33 **SEC. 11.**

34 *SEC. 9.* Section 10089.28 of the Insurance Code is amended
35 to read:

36 10089.28. (a) All policies of residential earthquake insurance
37 provided by the authority shall be written by the authority.
38 Authority policies shall be marketed and policyholders serviced
39 by the participating insurer that writes the underlying policy of
40 residential property insurance, and participating insurers shall be

1 reasonably compensated for the claims and policyholder services
2 they provide on behalf of the authority. Authority services may be
3 performed on behalf of the authority in any reasonable manner by
4 the participating insurer that is in compliance with statutory,
5 regulatory, and case laws regarding claims handling practices;
6 provided, however, where the authority has promulgated specific
7 procedures to govern its operations, the participating insurer shall
8 conform its practices to those procedures. The authority procedures
9 shall comply with statutory, regulatory, and case law governing
10 claims handling practices. Nothing in this provision shall be
11 deemed or construed to affect any duty or liability of the authority
12 or participating carrier as set forth in paragraphs (2) and (3) of
13 subdivision (e) of Section 10089.7.

14 (b) The participating insurer shall notify each of its insureds
15 that the authority is the provider of earthquake coverage under the
16 policy. The form and method of notice shall meet standards
17 established by the commissioner by regulation. The authority shall
18 provide to participating insurers appropriate applications and forms
19 and shall maintain records of all policies written, moneys received,
20 and claims paid.

21 (c) The duty of an agent or broker to investigate the financial
22 condition of the authority before placement of insurance shall be
23 the same as the duty of an agent or broker to investigate the
24 financial condition of an admitted insurer before placement of a
25 policy of insurance.

26 (d) This section shall remain in effect only until ~~July 1, 2015,~~
27 *January 1, 2016*, and as of that date is repealed, unless a later
28 enacted statute, that is enacted before ~~July 1, 2015,~~ *January 1,*
29 *2016*, deletes or extends that date.

30 ~~SEC. 12.~~

31 *SEC. 10.* Section 10089.28 is added to the Insurance Code, to
32 read:

33 10089.28. (a) All policies of residential earthquake insurance
34 provided by the authority shall be written by the authority.
35 Authority policies shall be marketed and policyholders serviced
36 by the participating insurer that writes the underlying policy of
37 residential property insurance, and participating insurers shall be
38 reasonably compensated for the claims and policyholder services
39 they provide on behalf of the authority. Authority services may be
40 performed on behalf of the authority in any reasonable manner by

1 the participating insurer that is in compliance with statutory,
2 regulatory, and case law regarding claims handling practices;
3 provided, however, where the authority has promulgated specific
4 procedures to govern its operations, the participating insurer shall
5 conform its practices to those procedures. The authority procedures
6 shall comply with statutory, regulatory, and case law governing
7 claims handling practices. Nothing in this provision shall be
8 deemed or construed to affect any duty or liability of the authority
9 or participating carrier as set forth in paragraphs (2) and (3) of
10 subdivision (e) of Section 10089.7.

11 (b) Concurrent with the issuance or renewal by the authority of
12 a residential earthquake insurance policy, ~~the participating insurer~~
13 ~~shall provide~~ the following disclosure *shall be provided* to the
14 insured in 14-point boldface type:

15
16 “California Earthquake Authority Policy Disclosure

17 You have purchased a California Earthquake Authority (CEA)
18 earthquake insurance policy, which can help you cover the cost of
19 repairing damage to your property and possessions caused by an
20 earthquake.

21 The CEA is not part of your homeowners’ insurance company.

22 Please keep in mind these important things about your CEA
23 insurance policy:

24 1. CEA policy coverages are different from the coverages
25 provided in your homeowners’ insurance policy. For example, this
26 policy does not cover earthquake damage to swimming pools, and
27 it may provide more limited coverage for chimneys, outbuildings,
28 and masonry fences. These are examples of possible differences
29 between your CEA policy and your homeowners’ policy, and you
30 should consult your CEA policy to understand the types of losses
31 that are limited or excluded and those that are covered.

32 2. If CEA’s liability for earthquake losses exceeds the CEA’s
33 available resources the CEA may reduce its payment to you or pay
34 you in installments. This policy is not covered by the California
35 Insurance Guarantee Association, and therefore, the California
36 Insurance Guarantee Association will not pay your claims if the
37 CEA becomes insolvent and is unable to make payments as
38 promised.

39 3. In certain cases, your CEA policy premium may be subject
40 to future surcharges if the CEA’s obligations to pay earthquake

1 losses rise to a pre-defined level. In that case, in addition to your
2 annual premium you may be charged up to an additional 20% of
3 that premium.”
4

5 (c) The authority shall provide to participating insurers
6 appropriate applications and forms and shall maintain records of
7 all policies written, moneys received, and claims paid.

8 (d) The duty of an agent or broker to investigate the financial
9 condition of the authority before placement of insurance shall be
10 the same as the duty of an agent or broker to investigate the
11 financial condition of an admitted insurer before placement of a
12 policy of insurance.

13 (e) This section shall become operative on ~~July 1, 2015~~. *January*
14 *1, 2016*.

15 ~~SEC. 13. Section 10089.42 is added to the Insurance Code, to~~
16 ~~read:~~

17 ~~10089.42. (a) A policy of residential property insurance shall~~
18 ~~not be issued, delivered, or renewed in this state, by any~~
19 ~~participating insurer unless the named insured is provided~~
20 ~~information on the availability of residential earthquake insurance~~
21 ~~from the authority within 60 days of issuance or renewal of the~~
22 ~~insured's residential insurance policy. The information required~~
23 ~~by this subdivision shall do all of the following:~~

24 ~~(1) Notify the insured that the residential property insurance~~
25 ~~policy does not provide coverage for loss or damage caused by~~
26 ~~the peril of earthquake.~~

27 ~~(2) Disclose that the insured can apply at any time through the~~
28 ~~participating insurer for insurance issued by the authority that~~
29 ~~covers loss or damage caused by the peril of earthquake.~~

30 ~~(3) Notify the insured that a policy of residential earthquake~~
31 ~~insurance from the authority provides different protection, and in~~
32 ~~some cases less protection, than the residential property insurance~~
33 ~~policy.~~

34 ~~(4) Inform the insured of the amounts of premium and deductible~~
35 ~~applicable to base-limits authority earthquake insurance coverage.~~

36 ~~(5) Direct the insured to an Internet Web site maintained by the~~
37 ~~participating insurer or by the authority, or jointly by both, where~~
38 ~~the insured can obtain premium estimates and information on~~
39 ~~additional earthquake insurance coverages, coverage limits,~~

1 deductibles, and other policy and coverage features for a residential
2 earthquake insurance policy from the authority.

3 ~~(6) Direct the insured to an Internet Web site or toll-free~~
4 ~~telephone number, or both, where the insured can be referred to~~
5 ~~or speak with a representative or broker-agent of the participating~~
6 ~~insurer who can facilitate the preparation and receipt of an~~
7 ~~application for residential earthquake insurance written by the~~
8 ~~authority.~~

9 ~~(b) The participating insurer may, but shall not be required to,~~
10 ~~provide the information required under this section to any insured~~
11 ~~who has purchased through that participating insurer, and has in~~
12 ~~force, a residential earthquake insurance policy written by the~~
13 ~~authority.~~

14 ~~(c) The authority shall prepare forms of the information required~~
15 ~~for use by participating insurers and submit them to the~~
16 ~~commissioner for approval. The commissioner shall approve a~~
17 ~~form if it accurately discloses the information required by~~
18 ~~subdivision (a). The forms are not required to be reproduced in~~
19 ~~identical form to the disclosures and advice set forth in subdivision~~
20 ~~(a), and they may contain provisions additional to those set forth~~
21 ~~in subdivision (a) if the additional provisions do not conflict with~~
22 ~~this section.~~

23 ~~(d) (1) The information required by this section may be made~~
24 ~~electronically pursuant to Section 38.5.~~

25 ~~(2) Proof of mailing of any information required by this section~~
26 ~~by first-class mail to a named insured at the mailing address shown~~
27 ~~on the policy or application, or proof consistent with Section 38.5~~
28 ~~that the information was sent to the named insured or applicant by~~
29 ~~electronic transmission, creates a conclusive presumption that the~~
30 ~~information required by this section was provided.~~

31 ~~(e) This section shall become operative on July 1, 2015.~~

32 *SEC. 11. Section 10089.42 is added to the Insurance Code, to*
33 *read:*

34 *10089.42. (a) At least once each year a participating insurer*
35 *shall provide each of its residential property insureds with*
36 *marketing documents produced at the authority's expense.*

37 *(b) This section shall become operative on January 1, 2016.*